



Office of City Auditor

Memorandum

Date: July 25, 2000
To Dwight Dively, Executive Services Department, Director
Cc: Office of City Auditor Distribution List
From: Susan Cohen, City Auditor
Subject: African American Heritage Museum and Cultural Center

We have completed our limited review of the City's 1997 and 1998 allocations to the African American Heritage Museum and Cultural Center (Museum). Our objective was to determine whether City funds allocated to the Museum were used in accordance with the February 1997 Memorandum of Agreement between the Museum and the City of Seattle. This agreement expired on December 31, 1998.

Conclusion

The City allocated \$250,000 in 1997 and \$250,000 in 1998 to the Museum project. To date \$353,246 of these funds have been spent. The City did not advance any funds to the Museum, but made reimbursements for expenditures.

Our review focused on the non-payroll portion of the City's reimbursements to the Museum (\$253,313). We examined all payments made to vendors that exceeded \$500, which accounted for 98 percent of the non-payroll reimbursements (\$248,396).

We were able to verify that 93 percent (\$230,560) of the reimbursements that we examined were used for authorized purposes. We could not verify the appropriateness of five percent (\$12,735) of these reimbursements. We determined that about two percent (\$4,198) of the City's payments to the Museum were not used for their intended purposes.

Background

The City's allocations were to be used to carry out the pre-development phase work for the Museum. Pre-development phase expenses included the cost of developing the museum and cultural center program and the re-development of the former Colman Elementary School building as the designated site for the facility. The expenses included architectural, legal and accounting services, various tests and inspections, printing and communications, supplies, and administrative salaries. The Department of Neighborhoods, in consultation with the former Office of Management and Planning, was responsible for determining the eligibility of invoices submitted by the Museum. Upon receipt of an invoice and approval by the Department of Neighborhoods, funds were given directly to the Museum for payment to vendors. The project was to be completed by December 31, 1998. However, at the time of our review, the project had not been completed, and the February, 1997 Memorandum of Agreement expired on December 31, 1998.

According to the 1997 Memorandum of Agreement, benefits to be derived by the City of Seattle from the future operations of the Museum included the establishment of a museum to fill a major

gap in the cultural, arts and heritage institutional offerings available in Seattle and the Puget Sound area. This cultural and arts institution would become a destination attraction, contributing to the community and economic development of Central and Southeast Seattle. The Museum would also offer educational programs targeted to school age youth as well as adult and intergenerational programming.

On February 10, 1998 the City signed an amendment to the original Memorandum of Agreement authorizing the City to pay an additional sum of \$34,000 to the Museum. This was to be used to help the Museum pay the down payment for the purchase of the old Colman School from the Seattle School District. The amendment has no expiration date.

In February 1998 the City stopped reimbursing the Museum for allowable cost until the Museum's Board of Directors was restructured. As of July 4, 2000, the Museum had not restructured the Board and its status remains unclear.

In 1999 the City Council increased the Museum's expenditure authority by \$250,000 for the budget year 2000 to reflect continuing support of the Museum. To date, funds from this allocation have not been used.

Scope and Methodology

We collected information on money the City provided to the Museum. Staff costs accounted for 28 percent of the total money, and 72 percent was paid to vendors for services and supplies. We determined whether costs reimbursed by the City were allowable by reviewing the contract between the City of Seattle and the Museum. We reviewed 98 percent of all vendor reimbursements to verify that City funds provided to the Museum were used for the purposes indicated on the invoices. We did not review payments to vendors who received less than \$500 (which represented two percent of all vendor reimbursements). We were unable to verify some of the invoices we examined (five percent) because vendors had either moved, ceased operations, disconnected their telephone numbers or did not return our calls.

We interviewed the Department of Neighborhoods official responsible for monitoring the project and reviewed the invoices provided to us. We were supported by Executive Services Department (ESD) Accounting which provided a list from the City's accounting system of all checks written to the Museum for the period in review, and copies of various checks. We interviewed representatives from City departments who have been involved with the project including the Human Services Department, ESD Finance, the former Office of Management and Planning, Department of Parks and Recreation (Parks), and the Law Department.

We performed our review in accordance with generally accepted government auditing standards.

Findings and Recommendations

We determined that the Museum used the City's money appropriately with the exception of the following two payments totaling \$4,198.

1. The City reimbursed the Museum for a vendor payment in the amount of \$8,164; however, the Museum only paid the vendor \$7,995 leaving an outstanding balance of \$169.
2. In January 1999 the City mistakenly provided the Museum \$4,029 for an invoice owed to ESD Facilities. This should have been handled as a transfer between City departments. The Museum has not returned the money. The City established a receivable so that this amount will be withheld from payment when future invoices are submitted by the Museum.

The Parks Department paid \$21,042.40 for an invoice that the City received on September 28, 1998 from the Attorney General of Washington for attorney fees, eviction assistance, and rent in association with the Museum. To date, Parks has not been reimbursed for this amount. We recommend that the City determine if these costs are eligible for reimbursement from the allocation provided by the City to the Museum.

Parks paid the Washington State Department of Transportation \$722 for rent of a trailer used by the Museum. Parks has not been reimbursed for this expense.

In February 1998 the City gave the Museum a \$34,000 check to assist with the down payment for the purchase of the Colman school. The school was never purchased and the check never cashed. The Executive Services Department, acting upon our recommendation, placed a stop payment on this check on May 25, 2000 and made the appropriate adjustments to the City's accounts.

A City official has not been assigned responsibility for coordinating and monitoring the City's transactions with the Museum. We recommend that this City official exercise vigilant oversight regarding the progress of this project. City entities that are considering entering into an agreement with the Museum or one of its officials should consult with this City official. This should enhance communications between City departments that are working with the Museum. During our audit we identified two cases in which communication between City departments on such transactions did not occur. In 1997 the Department of Housing and Human Services paid \$100 to the Museum for the use of a housing information booth, and in 1998 the Parks Department paid \$3,499.99 to the Museum for a cultural education program. The Department of Neighborhoods and the former Office of Management and Planning were not aware of these additional City payments to the Museum.

If you have any questions or comments about this memorandum, please call me at 233-1093 or Linneth Riley-Hall at 233-0088.